

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

**A COMPONENT UNIT OF THE
WEST FELICIANA PARISH POLICE JURY**

ST. FRANCISVILLE, LOUISIANA

OCTOBER 31, 2006 AND 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-2-07

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

**FOR THE YEARS ENDED
OCTOBER 31, 2006 AND 2005**

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
West Feliciana Parish Hospital
Service District No. 1
St. Francisville, Louisiana

We have audited the accompanying component unit financial statements of West Feliciana Parish Hospital Service District No. 1 (the "Hospital"), a component unit of West Feliciana Parish Police Jury, State of Louisiana, as of and for the years ended October 31, 2006 and 2005. These component unit financial statements are the responsibility of the Hospital's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Louisiana Governmental Audit Guide, published jointly by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2006, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Audit Standards and should be read in conjunction with this report in considering the results of our audit. In the report, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Hospital taken as a whole. The accompanying supplemental information, identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of West Feliciana Parish Hospital Service District No. 1, a component unit of West Feliciana Parish Police Jury, State of Louisiana, as of October 31, 2006 and 2005, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

West Feliciana Parish Hospital has not presented a Management's Discussion and Analysis, of which the Governmental Accounting Standards Board has determined is necessary to supplement, but not required to be a part of, the basic financial statements.


Langlois, Broussard & Kohlenberg
(A Corporation of Certified Public Accountants)

December 15, 2006

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

STATEMENTS OF NET ASSETS

OCTOBER 31,

ASSETS	2006	2005
Current Assets		
Cash And Cash Equivalents	\$ 2,944,093	\$ 1,095,259
Investments, Available for Sale, at Market	109,488	105,287
Assets Limited as to Use		
Cash	2,120,623	1,006,894
Investments, Available for Sale, at Market	5,065,501	4,394,485
Receivables:		
Patient Accounts, Less Allowance For Uncollectible Accounts	1,112,390	1,416,959
Unsettled Medicare and Medicaid Cost Reports	11,141	458,942
Other Receivables	1,070,042	855,193
Inventories	280,479	229,768
Prepaid Expenses	49,176	57,203
Total Current Assets	12,762,933	9,619,990
Capital Assets		
Land and Land Improvements	400,264	400,264
Buildings and Leasehold Improvements	2,034,102	2,022,950
Equipment	4,328,919	4,145,629
Construction In Process	292,563	12,970
Gross Capital Assets	7,055,848	6,581,813
Less: Accumulated Depreciation	(4,579,621)	(4,130,740)
Total Capital Assets, Net of Accumulated Depreciation	2,476,227	2,451,073
TOTAL ASSETS	\$ 15,239,160	\$ 12,071,063
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable and Other Liabilities	\$ 104,278	\$ 128,927
Credit Balances in Patient Accounts	16,093	15,760
Unsettled Medicare and Medicaid Cost Reports	188,942	-
Deferred Uncompensated Care Revenue	721,322	385,011
Deferred Ad Valorem Tax Revenue	526,297	520,491
Accrued Salaries and Wages	162,759	154,704
Accrued Compensated Absences	93,897	83,725
Total Current Liabilities	1,813,588	1,288,618
Total Liabilities	1,813,588	1,288,618
Net assets		
Invested in Capital Assets, Net of Related Debt	2,476,227	2,451,073
Restricted	7,186,124	5,401,379
Unrestricted	3,763,221	2,929,993
Total Net Assets	13,425,572	10,782,445
TOTAL LIABILITIES AND NET ASSETS	\$ 15,239,160	\$ 12,071,063

The notes to the financial statement are an integral part of this statement.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

STATEMENTS OF ACTIVITIES

OCTOBER 31,

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Net Patient Service Revenue	\$ 8,601,980	\$ 6,833,679
Other Operating Revenue	105,142	101,295
Total Operating Revenue	<u>8,707,122</u>	<u>6,934,974</u>
Operating Expenses		
Salaries, Wages, and Benefits	3,760,382	3,534,639
Professional Fees	1,856,421	1,573,517
Supplies and Other	945,131	849,451
Provision For Bad Debts	703,467	848,271
Depreciation	448,881	432,907
Other Operating Expenses	821,010	830,259
Total Operating Expenses	<u>8,535,292</u>	<u>8,069,044</u>
Operating Income	<u>171,830</u>	<u>(1,134,070)</u>
Nonoperating Revenues (Expenses)		
Interest Income	301,479	157,044
Interest Expense	(2,835)	(1,200)
Tax Revenues	2,017,232	1,785,501
Other Nonoperating Revenues (Expenses)	155,421	134,094
Total Nonoperating Revenues (Expenses)	<u>2,471,297</u>	<u>2,075,439</u>
Change in Net Assets	2,643,127	941,369
Total Net Assets, Beginning	<u>10,782,445</u>	<u>9,841,076</u>
Total Net Assets, Ending	<u>\$ 13,425,572</u>	<u>\$ 10,782,445</u>

The notes to the financial statements are an integral part of this statement.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

STATEMENTS OF CASH FLOWS

OCTOBER 31,

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Cash Received from Patients	\$ 8,644,868	\$ 5,352,461
Cash Payments to Suppliers for Goods and Services	(3,231,597)	(3,240,292)
Cash Payments to Employees for Services	(3,778,609)	(3,529,683)
Net Cash Provided by Operating Activities	<u>1,634,662</u>	<u>(1,417,514)</u>
Cash Flows From Noncapital Financing Activities		
Miscellaneous Income	155,421	134,094
Tax Receipts and Operating Grants	<u>2,023,038</u>	<u>1,779,954</u>
Net Cash Provided by Noncapital Financing Activities	<u>2,178,459</u>	<u>1,914,048</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of Capital Assets	(474,035)	(324,997)
Proceeds from the Sale of Capital Assets	50	9,065
Interest Paid	<u>(2,835)</u>	<u>(1,200)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(476,820)</u>	<u>(317,132)</u>
Cash Flows from Investing Activities		
Purchases of Investments	(1,975,217)	(1,532,779)
Maturities of Investments	1,300,000	900,000
Interest Received	<u>301,479</u>	<u>157,044</u>
Net Cash Provided By (Used In) Investing Activities	<u>(373,738)</u>	<u>(475,735)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,962,563</u>	<u>(296,333)</u>
Cash and Cash Equivalents at Beginning of Year, including \$1,006,894, and \$745,254 Limited as to Use for 2006 and 2005, respectively	<u>2,102,153</u>	<u>2,398,486</u>
Cash and Cash Equivalents at End of Year, including \$2,120,623 and \$1,006,894 Limited as to Use for 2006 and 2005, respectively	<u>\$ 5,064,716</u>	<u>\$ 2,102,153</u>
Cash Flows From Operating Activities		
Operating Income	\$ 171,830	\$ (1,134,070)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	448,881	432,907
Provision for Bad Debts	703,467	848,271
Gain on Sale of Fixed Assets	(50)	(9,065)
Loss on Disposal of Fixed Assets	-	6,092
Increase in Patient Accounts Receivable	(398,565)	(1,320,431)
Decrease in Unsettled Medicare and Medicaid Cost Report Receivable	447,801	342,852
Increase in Other Receivables	(214,849)	(354,057)
(Increase)/Decrease in Inventories	(50,711)	9,231
(Increase)/Decrease in Prepaid Expenses	8,027	(9,818)
Increase/(Decrease) in Accounts Payable and Other Liabilities	(24,649)	37,612
Increase in Unsettled Medicare and Medicaid Cost Report Liability	188,942	-
Increase/(Decrease) in Deferred Uncompensated Care Revenue	336,311	(262,082)
Increase/(Decrease) in Accrued Salaries and Wages	8,055	(12,177)
Increase in Accrued Compensated Absences	<u>10,172</u>	<u>7,221</u>
Net Cash Provided by Operating Activities	<u>\$ 1,634,662</u>	<u>\$ (1,417,514)</u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Financial Reporting Entity**

On February 21, 1968, the West Feliciana Parish Police Jury passed a resolution creating the West Feliciana Parish Hospital District No. 1 (the "Hospital") under the authority of Article 6, Section 19, of the 1974 Louisiana Constitution and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The Hospital is composed of all the territory situated within the limits of the Parish of West Feliciana.

The governing authority of the Hospital consists of a board of seven commissioners, all of whom are qualified electors of West Feliciana Parish. The Commissioners serve with pay, per diem, and reimbursement of actual out-of-pocket expenses incurred in the performance of their duties.

The public purpose of the Hospital is to secure, provide for, and protect the public health and welfare by the treatment of human ailments through the acquisition and construction of projects as authorized by Chapter 10 of Title 46 of the 1974 Louisiana Constitution, and the financing and refinancing of indebtedness to acquire, construct, renovate, and improve hospitals, clinics, laboratories, nursing homes, and any other facility, building or structure which may be of use and benefit in the teaching, training or practice of medical science and treatment of human ailments, or for such other facilities as the Hospital shall find useful in the study of, research in, or treatment of illness or infirmities, all as is more fully set out in said Chapter 10 of Title 46 of the 1974 Louisiana Constitution.

The Hospital's component unit financial statements are an integral part of the West Feliciana Parish Police Jury's comprehensive annual financial report.

GASB Statement No. 34

During fiscal year 2002, the Hospital elected to early implement GASB Statement No. 34, "Basic Financial Statements, and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributions, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the period. Actual results could differ from those estimates.

Basis of Presentation

The Hospital's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

As a Proprietary Fund, the Hospital distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing patient services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Hospital's enterprise fund are charges to customers related patient services. Operating expenses for the Hospital's enterprise fund include patient care expenses, general and administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by the Hospital in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Hospital has elected not to follow subsequent private-sector guidance.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Cash and Equivalents

For the purposes of the statement of cash flows, the Hospital considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana.

Investments

All investments are stated at fair value based on quoted market price. Changes in fair value of investments are included in investment income.

Inventories

Inventories are valued at the lower of cost (First-In, First-Out Method) or market.

Property Taxes

Property taxes were levied on January 1, on property values assessed on that date. Notices of tax liability are mailed on or about November 1, of the same year and are due and payable at that time. All unpaid taxes levied become delinquent January 1, of the following year. Property tax revenues are recognized in the same fiscal year within which they are billed because they are considered available in that period. Available includes those property tax receivables expected to be collected within sixty days after year end. However, the receivable for property taxes is recorded at the January 1, the lien date.

Accounts Receivable

Accounts receivable from patients, insurance companies and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements which generally result in the Hospital collecting less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities. Adequate allowances are provided for doubtful accounts and contractual adjustments. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected. Net operating revenue includes only those amounts estimated by management to be collectible.

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Property and Equipment**

Property and equipment is stated at cost, except for assets donated to the Hospital. Donated assets are recorded at the appraised value at the date of donation.

Depreciation is recorded on a straight-line basis over the useful lives of the assets. Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Maintenance, repairs, replacements, and improvements of minor importance are expensed. Major replacements and improvements are capitalized.

Patient Service Revenue

The Hospital has agreements with third-party payers that provide payments to the Hospital at amounts different from its established rates. Payment arrangements include reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive settlements are provided for some of the governmental payment programs outlined above, based on annual cost reports. Such settlements are estimated and recorded as amounts due to or from third-party payers in the financial statements. The differences between these estimates and final determination of amounts to be received or paid are based on audits by fiscal intermediaries and are reported as adjustments to net patient service revenue when such determinations are made.

Vacation Pay

Accumulated unpaid vacation is accrued when earned. Employees earn and vest in vacation leave according to years of service as shown below. Employees only vest in vacation leave after one year of employment.

<u>Years of Service</u>	<u>Full-Time Employees</u>
Less than 5 years	6.67 hours per month
After 5 years	10.00 hours per month
After 10 years	13.33 hours per month

NOTE 2 - NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payers that provide payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare

Prior to January 1, 2002, inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system that was based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services and defined capital and medical education cost related to Medicare beneficiaries were paid based on a cost reimbursement methodology and predetermined fee schedules. The Hospital became a "critical access hospital" effective January 1, 2002. This enabled the hospital to receive cost based reimbursement from Medicare on or after January 1, 2002. The hospital is reimbursed at tentative interim rates with final settlement determined after submission of annual cost reports and audits of these reports by the Medicare fiscal intermediary. The difference between established billing rates and reimbursements are recorded as contractual adjustments to patient service revenue.

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2006 AND 2005

NOTE 2 - NET PATIENT SERVICE REVENUE - Continued

The Hospital's classification of patients under the Medicare Program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports for the fiscal years ended through October 31, 2005 have received final settlements from the Medicare fiscal intermediary.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology and predetermined fee schedules. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been reviewed by the Medicaid fiscal intermediary through October 31, 2004. Rural hospitals can be reimbursed up to 100% for uncompensated cost rendered to Medicaid and uninsured patients, commonly referred to as uncompensated care payments.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. The prospectively determined per diem rates are not subject to retroactive adjustments.

The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payments to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively daily rates.

NOTE 3 - CASH AND INVESTMENTS

At October 31 for the years ended 2006 and 2005, the Hospital's carrying amount of deposits was \$5,064,716 and \$2,102,153 and the bank balance was \$5,247,438 and \$2,252,347 respectively.

Of the bank balance, \$300,000 and \$400,000 for the years 2006 and 2005, respectively, were covered by federal depository insurance. All of the remaining balance was collateralized with securities held by the pledging financial institutions' trust departments or agents in the financial institutions' name.

Investments consist of certificates of deposits with financial institutions, U.S. Treasury Bills, U.S. Treasury Notes, Merrill Lynch FNMA Notes and an interest in the Louisiana Hospital Investment Pool. Investments are categorized into three categories of credit risk:

1. Insured or registered, or securities held by the Hospital or its agent in the Hospital's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the hospital's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the Hospital's name.

At October 31, 2006, the Hospital's investment balances were as follows:

	CATEGORY			CARRYING AMOUNT	MARKET VALUE
	1	2	3		
Certificates of Deposit	\$ 1,162,715	\$ 904,382	\$ -	\$ 2,067,097	\$ 2,067,097
U.S. T-Bills	1,238,820	-	-	1,238,820	1,238,820
U.S. T-Notes	800,000	-	-	800,000	791,076
FNMA Notes	-	986,197	-	986,197	968,508
Investment Pool	-	109,488	-	109,488	109,488
Total	\$ 3,201,535	\$ 2,000,067	\$ -	\$ 5,201,602	\$ 5,174,989

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2006 AND 2005

NOTE 4 - ACCOUNTS RECEIVABLE - PATIENTS

Accounts Receivable - Patients consists of the following:

	<u>OCTOBER 31, 2006</u>	<u>OCTOBER 31, 2005</u>
Total Patient Accounts Receivable	\$ 2,603,430	\$ 2,800,281
Less: Allowance for Uncollectible Accounts	<u>(1,491,040)</u>	<u>(1,383,322)</u>
Net Patient Accounts Receivable	\$ <u>1,112,390</u>	\$ <u>1,416,959</u>

NOTE 5 - ACCOUNTS RECEIVABLE - OTHER

Accounts Receivable - Other consists of the following:

	<u>OCTOBER 31, 2006</u>	<u>OCTOBER 31, 2005</u>
Uncollected Sales Tax Revenue for the months of August, September, and October 2006	\$ 469,592	\$ 310,682
Accrued Maintenance Ad Valorem Tax Revenue	525,942	519,866
All Other	<u>74,508</u>	<u>24,645</u>
Total Accounts Receivable - Other	\$ <u>1,070,042</u>	\$ <u>855,193</u>

NOTE 6 - ASSETS LIMITED AS TO USE

Assets whose use is limited under agreements with third party payers for funded depreciation are summarized as follows. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

	<u>OCTOBER 31, 2006</u>	<u>OCTOBER 31, 2005</u>
<u>Investments</u>		
<u>U.S. Treasury Direct</u>		
Treasury Bills & Notes	\$ 2,029,896	\$ 2,047,212
<u>Certificates of Deposit</u>		
Various banks maturing 11/05/06 to 2/09/08		
Average interest rate 4.0790%	2,067,097	2,347,273
<u>Merrill Lynch</u>		
FNMA Notes	<u>968,508</u>	<u>-</u>
	<u>5,065,501</u>	<u>4,394,485</u>
<u>Cash</u>		
<u>Merrill Lynch</u>		
ML Government Fund		
Yielding 4.9790%	2,097,458	1,006,894
<u>Savings Account</u>		
Hancock Bank 1.159%	<u>23,165</u>	<u>-</u>
	<u>2,120,623</u>	<u>1,006,894</u>
Total Assets Limited as to Use	\$ <u>7,186,124</u>	\$ <u>5,401,379</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

OCTOBER 31, 2006 AND 2005

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Property, Plant, and Equipment is as follows:

	<u>LIFE IN YEARS</u>	<u>OCTOBER 31, 2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>OCTOBER 31, 2006</u>
Land and Land Improvements		\$ 400,264	-	-	\$ 400,264
Buildings and Leasehold Improvements	5 - 40	2,022,950	11,152	-	2,034,102
Equipment	5 - 20	4,145,629	183,290	-	4,328,919
Construction in Progress		12,970	279,593	-	292,563
Gross Fixed Assets		6,581,813	474,035	-	7,055,848
Allowance for Depreciation		(4,130,740)	(448,881)	-	(4,579,621)
Total Property, Plant and Equipment		\$ 2,451,073	\$ 25,154	\$ -	\$ 2,476,227

NOTE 8 - OTHER NONOPERATING REVENUE

The Hospital receives tax revenue from sales tax and property tax collected on purchases and property assessments in West Feliciana Parish. The sales tax is used for the operation of the Hospital and the property tax is to be used for operation and maintenance of the Hospital.

NOTE 9 - RETIREMENT PLAN

The Hospital has executed the Variable Annuity Life Insurance Company (VALIC) prototype Profit Sharing Plan with Cash or Deferred Arrangement Option Non Standardized Adoption Agreement No. 3. The defined contribution plan (457) provides benefits to substantially all employees. The Hospital matches dollar for dollar of contributions made by an employee up to six percent of the employee's compensation. Total payroll for the fiscal years ended October 31, 2006 and 2005, was \$3,100,353 and \$2,959,443 respectively. Covered payroll was \$3,082,544 and \$2,982,008 for the years 2006 and 2005, respectively. Total pension expense was \$118,704 and \$94,615 for 2006 and 2005, respectively.

NOTE 10 - DIRECTOR'S FEES

The following is a schedule of Director's fees paid by the Hospital for the year ended October 31:

	<u>2006</u>	<u>2005</u>
Mitch Brashier	\$ 320	\$ 320
Walter Welker	320	360
Sara Wilson-Wright	160	400
Raymond Minor	320	360
John Thompson	280	440
Dr. Chaillie Daniel	240	240
Tom Flynn	240	320
Patricia Gilmore	240	-
Total Director's Fees	\$ 2,120	\$ 2,440

NOTE 11 - INSURANCE RISK

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital is a member of two separate trust funds established by the Louisiana Hospital Association that encompasses self insurance of (1) hospital professional liability and comprehensive general liability, and (2) statutory workers' compensation. The Hospital carries commercial insurance for all other risks of loss. As of the balance sheet date, the Hospital has no malpractice claims exceeding its coverage.

NOTE 12 - CONCENTRATIONS OF CREDIT RISK

The Hospital is located in St. Francisville, Louisiana, and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables (net of allowances) from patients and third-party payers at October 31, 2006 and 2005, are as follows:

	YEAR ENDED OCTOBER 31, 2006	YEAR ENDED OCTOBER 31, 2005
Medicare	13.4%	36.3%
Medicaid	10.2%	7.0%
Commercial and other third-party payers	<u>76.4%</u>	<u>56.7%</u>
	<u>100.0%</u>	<u>100.0%</u>

NOTE 13 - DEFERRED REVENUE

The Hospital receives a disproportionate share payment for uncompensated care. This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. Coverage for uncompensated care is based on the State's fiscal year.

NOTE 14 - OPERATING LEASES

The Hospital leases various equipment and facilities that are classified as operating leases. At October 31, 2006, there were no operating leases with remaining terms in excess of one year.

Total lease expense was \$161,032 in 2006 and \$147,406 in 2005.

The Hospital leases office space within the hospital to various medical service providers, under operating leases with terms ranging from month-to-month to one year. Revenues from these leases totaled \$36,490 in 2006 and \$45,194 in 2005.

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

PATIENT SERVICE REVENUE

	<u>2006</u>	<u>2005</u>
Nursing services	\$ 419,718	\$ 412,524
Emergency services	1,538,918	897,780
Emergency services - physician's fees	854,129	899,685
Central services	63,599	234,512
Laboratory	1,800,971	1,672,241
Blood bank	15,942	22,467
Radiology - diagnostic	742,198	584,489
Ambulance service	950,543	605,717
Respiratory therapy	1,104,707	847,823
Pharmacy	455,618	457,403
Physical therapy	735,455	617,723
Electrocardiology	98,078	157,470
Occupational therapy / clinical services	53,809	44,141
Speech therapy	13,160	2,184
Ultrasound	230,015	191,093
Dr. Nwabueze's office	-	285
All other	<u>1,883,944</u>	<u>892,692</u>
Gross Patient Service Revenue	10,960,804	8,540,229
Less Contractual Adjustments	<u>(4,058,369)</u>	<u>(2,690,281)</u>
Net Patient Service Revenue before Uncompensated Care	6,902,435	5,849,948
Uncompensated Care Income	<u>1,699,545</u>	<u>983,731</u>
 Net Patient Service Revenue	 <u>\$ 8,601,980</u>	 <u>\$ 6,833,679</u>

SALARIES, WAGES, AND BENEFITS

Nursing	\$ 852,220	\$ 867,143
Laboratory technicians	259,566	218,357
Dietary management	112,617	113,394
Respiratory therapy	193,745	172,529
Radiology	180,858	189,193
Business Office	312,717	304,318
Administrative	141,542	130,165
Plant operations	140,145	136,375
Medical records	125,602	106,149
Housekeeping	98,365	78,701
Ambulance	464,440	487,381
Utilization review	60,039	66,633
Doctor's offices	-	128
All other salaries and benefits	<u>818,526</u>	<u>664,173</u>
Total Salaries, Wages, and Benefits	<u>\$ 3,760,382</u>	<u>\$ 3,534,639</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

PROFESSIONAL FEES

	<u>2006</u>	<u>2005</u>
Pharmacy	\$ 50,528	\$ 46,200
Respiratory therapy	1,005	3,013
Laboratory	94,708	105,418
Administrative	54,677	52,652
Laundry/linen	88,244	67,924
EKG	38,754	77,536
Plant operations	80,551	58,183
Radiology	3,931	1,893
Physical therapy	262,830	235,725
Ultrasound	49,085	77,008
Dietary	4,663	4,662
Business office	17,745	18,010
Occupational therapy	21,360	21,855
Doctor's offices	6,727	10,509
ER Physician Fees	716,376	726,336
All other	365,237	66,593
Total Professional Fees	<u>\$ 1,856,421</u>	<u>\$ 1,573,517</u>

SUPPLIES AND OTHER EXPENSES

Laboratory	\$ 190,669	\$ 184,607
Nursing	38,987	26,245
Radiology	19,580	26,437
Pharmacy	161,985	144,811
Central services	79,913	125,485
Business office	22,375	35,205
Dietary	54,267	55,337
Plant operations	82,125	64,445
Housekeeping	23,518	17,904
Ambulance	121,695	51,952
Physical therapy	5,261	298
Administrative	39,924	28,749
Respiratory therapy	30,306	30,811
Doctor's offices	110	5,024
Surgery	4,679	2,480
All other	69,737	49,661
Total Supplies and Other expenses	<u>\$ 945,131</u>	<u>\$ 849,451</u>

WEST FELICIANA PARISH HOSPITAL SERVICE DISTRICT NO. 1

SUPPLEMENTAL INFORMATION

OCTOBER 31,

OTHER OPERATING EXPENSES

	<u>2006</u>	<u>2005</u>
Ambulance	\$ 602	\$ 1,453
Laboratory	13,848	7,917
Radiology	41,271	26,038
Pharmacy	1,314	3,279
Nursing services	11,447	16,385
Medical records	4,564	2,795
Plant operations	170,652	137,631
Collection fees	43,521	42,886
Audit and legal fees	35,117	44,435
Postage	9,478	7,320
Equipment rental	161,032	147,406
Dues and subscriptions	15,828	(7,197)
Physician recruitment and other office	-	16,000
Administrative	89,258	90,332
All other	223,078	293,579
Total Other Operating Expenses	<u>\$ 821,010</u>	<u>\$ 830,259</u>



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners
West Feliciana Parish Hospital
Service District No. 1
St. Francisville, Louisiana

We have audited the financial statements of West Feliciana Parish Hospital Service District No. 1, a component of the West Feliciana Parish Police Jury, state of Louisiana (District), as of and for the years ended October 31, 2006 and 2005, respectively, and have issued our report thereon dated December 15, 2006.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance which is required to be reported under Government Auditing Standards.

It was noted that grant funds received from the Health Resources and Services Administration (HRSA) in July were not deposited until December; requirements of the grant were that funds be spent by August.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted the following matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Control of Assets

Several employees have the ability to record transactions and have custody of assets related to those transactions. These employees have access to incoming mail, deposits, and have access to patient accounts.

The payroll clerk is authorized to modify payroll variables such as employees, hourly rates, and time. The payroll clerk also records and processes payroll checks.

There was an increase in the amount of patient accounts written off as a result of untimely filing.

Compliance/Safeguarding of Assets

It was noted that grant funds received from the Health Resources and Services Administration (HRSA) in July were not deposited until December; requirements of this grant were that funds be spent by August.

It is recommended that all grant activity be monitored to ensure that all grant requirements are followed. It is also recommended that all receipts be deposited in a timely manner.

We also noted the following reportable conditions that are not believed to be material weaknesses.

Control of Assets

The payroll clerk is authorized to modify payroll variables such as employees, hourly rates, and time. The payroll clerk also records and processes payroll checks.

We recommend that separate employees perform the authorization and recordation of transactions.

Safeguarding of Assets

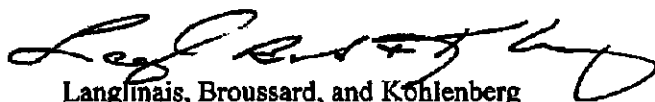
There was an increase in the amount of patient accounts written off as a result of untimely filing.

We recommend that monitoring procedures be performed to ensure that claims are filed with appropriate agencies in a timely manner.

This report is intended for the information of the management and the Board of Commissioners of the Hospital, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



Langlais, Broussard, and Köhlenberg
Certified Public Accountants

December 15, 2006



West Feliciana Parish Hospital

PO Box 368 • 7266 Commerce Street • St. Francisville, Louisiana 70775 • Phone (225) 635-1811 • Fax (225) 635-2435 • Email info@wfh.org

4/23/2007

Legislative Audit Advisory Council
PO Box 94397
Baton Rouge, LA 70804-9397

Dear Council Members,

The hospital will take the following actions in response to the findings of our auditors, Langlinais, Broussard and Kohlénberg for the fiscal year ending 10/30/2006.

Issue 1. Several employees have ability to record transactions and have custody of the same assets.

Response: The hospital will not allow employees that record transactions to open mail and/or prepare deposits. These duties will be separated.

Issue 2. Several employees have access to deposits after they have been prepared.

Response: A locked deposit bag will be used to hold and transport deposits to the bank. Only one hospital employee will have the key and the only other person with the key will be the bank staff. The deposit bag will be kept in a secure location at all times. Staff members transporting the deposit bag to the bank will sign off that they received the bag.

Issue 3. HRSA grant check was not deposited in a timely fashion.

Response: The procedure for opening mail and cashing checks will be monitored for compliance. Grant money will be monitored separately to ensure checks are deposited and money is spent in a timely fashion.

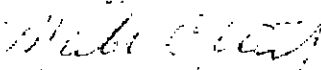
Issue 4. Payroll clerk is authorized to modify payroll variables; the payroll clerk also records and processes payroll checks.

Response: Human Resources department will add employees and modify payroll variables, not the payroll clerk.

Issue 5. Increase in patient account write-offs as result of untimely filing.

Response: Billers will file patient's claims in a timely fashion to ensure collectability.

Sincerely,


Mark Chustz, CEO



Board of Commissioners
West Feliciana Parish Hospital
Service District No. 1
St. Francisville, Louisiana

In planning and performing our audit of the financial statements of Hospital Service District No. 1, State of Louisiana, a component unit of the West Feliciana Parish Police Jury, State of Louisiana, as of and for the years ended October 31, 2006 and 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under the standards established by the American Institute of Certified Public Accountants (AICPA). Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Hospital's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

Control of Assets

Several employees have the ability to record transactions and have custody of assets related to those transactions. These employees have access to incoming mail, deposits, and have access to patient accounts.

We recommend that employees that record transactions are separate from those that have custody of assets.

Safeguarding of Assets

Several employees have access to deposits after they have been prepared.

We recommend that deposits be safeguarded until they are deposited at the bank.

Safeguarding of Assets

Several employees have access to deposits after they have been prepared.

As mentioned previously, it was noted that a grant check received in July was not deposited until December.

This report is intended for the information of West Feliciana Parish Hospital Service District No. 1, the Legislative Auditor of the State of Louisiana, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


LANGLIN, BROUSSARD & KOHLENBERG
Certified Public Accountants

December 15, 2006